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C O N F I D E N T I A L SECTION 01 OF 02 CAIRO 002482

SIPDIS

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TAGS: [OREP](#) [ETRD](#) [PREL](#) [EG](#)

SUBJECT: CODEL SMITH MARCH 21-24 VISIT TO CAIRO: MEETING  
WITH TRADE MINISTER RACHID

Classified by Acting DCM Michael Corbin for reasons 1.4 (b)  
and (d).

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Summary  
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1. (C) During a March 23 meeting, Senator Gordon Smith and Egyptian Minister of Foreign Trade and Industry Rachid discussed the recent QIZ agreement and prospects for an eventual FTA with the U.S. Smith underlined the importance of further Egyptian progress in particular areas, including IPR. Smith also emphasized the important role issues like political reform, religious freedom, and anti-Semitism play in shaping the overall bilateral relationship. On Iraq, Smith noted progress and continuing challenges. Rachid advised Smith that the GOE was providing assistance to the new Iraqi government in various areas, including technical training in his own ministry for Iraqi trade officials. Smith welcomed this engagement. End summary.

2. (C) In his March 23 meeting with Minister of Foreign Trade and Industry Rachid Mohamed Rachid, Senator Smith opened the conversation by asking about the Minister's recent visit to Washington. Rachid said that the visit had gone very well. He said there was a good understanding in Washington about what is going on in Egypt in terms of economic reform and trade issues. He said that there was particular interest in the recently concluded Qualifying Industrial Zone (QIZ) agreement between Egypt and Israel. Noting that Free Trade Agreements (FTAs) often become tied to political issues, Senator Smith said that the QIZ agreement and President Mubarak's work on Egypt's relationship with Israel was resonating well in Congress. The Senator said that he also personally appreciated the Minister's help with the issues that affect his district, like resolving the single-sourcing problem for Nike and Egypt's continuing purchases of wheat from the U.S., a portion of which was supplied by Oregon farmers.

3. (C) Minister Rachid spoke about how trade was helping to change the political environment in Egypt. He said that with the QIZ, the government had expected strong reactions to the broadening of trade relations with Israel. To its surprise, the only demonstrations that occurred were by workers whose jobs might be threatened because their factories were not included in the first set of designated zones. Rachid said that QIZ was the first time the average Egyptian could see a direct link between the peace process and his own personal welfare.

4. (C) Rachid stated that although Egyptians had high expectations about the reforms, there would be a long and difficult transition period to restructure the economy. During this period, trade would be "one of the best things we can do" to improve people's welfare. For this reason an FTA with the U.S. was a priority for Egypt, he said. He said that Egypt's interest in an FTA was not because it sought greater access to the U.S. market; Egypt's access was already substantial thanks to the QIZ. Rather, the government wanted an FTA because it would elevate Egypt's relationship with the U.S. to a new level, would be a catalyst for further reform, and would attract foreign direct investment.

5. (C) Senator Smith said that some of the strongest resistance to expanded trade has been from U.S. firms that believe intellectual property rights (IPR) are not being sufficiently protected in the countries seeking FTAs with the U.S. He said that whatever Egypt could do to respond to U.S. firms' IPR concerns would make it easier for Congress to support an FTA with Egypt. Rachid said that Egypt's legal structure for IPR protection was in place and generally working well. The main issue was with pharmaceuticals, which was really a combination IPR protection and affordability/access to medicine. As for IPR protection, one of the main issues was the lack of transparency for government approvals of generics. Rachid said that after the recent discussions with U.S. firms and the USG, the Minister of Health and Population was now taking steps to address that problem. The real challenge, he said, was how to make medicines affordable and accessible. He believed that a solution could be found through discussions between the concerned parties rather than confrontation, as had sometimes been the case in the past. In general, however, he agreed that IPR was an area that the government needed to work on.

16. (C) Rachid asked the Senator if he had particular concerns with respect to Egypt. Senator Smith said that political reform had been a concern in Congress and the Senator himself was concerned about whether Egypt was going in the right direction. President Mubarak's announced intention to open up the political process was welcome in the U.S., and many Congressional concerns about Egypt would go away if the steps taken by the GOE were indeed real and not symbolic. Moreover, Egypt could enhance its position by continuing to play a constructive role in the peace process, which was a priority for President Bush. Finally he noted that anti-Semitism was a political concern, one that Egypt appeared to be addressing.

17. (C) Senator Smith added that an issue of personal concern was the situation of Mormons in Egypt. He had heard from his co-religionists in Egypt that there were half a dozen cases a year in which Egyptians who had converted freely to Mormonism while living outside of Egypt had been prevented from attending services in Egypt. He said that his concerns were not just for the Mormons, but for adherents of other minority faiths who faced similar problems. The Minister affirmed that he would look into the situation.

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Iraq  
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18. (C) The Minister then asked the Senator for his impression of the situation in Iraq. Senator Smith noted that the U.S. military was doing an excellent job, but faced a difficult task dealing with insurgents, who offered only death and destruction and no plan for the future. He hoped the new government would be established soon and that Iraqis could begin to take over more security operations so that the U.S. could start to bring the troops home. The Minister said that Egypt was offering various forms of assistance to Iraq. In fact, after the meeting with the Senator, Rachid was due to officiate over a graduation ceremony of 60 Iraqis who had received technical training from his ministry. A second group of Iraqis was due to arrive shortly to receive specialized training on trade matters. Smith welcomed the GOE's assistance to Iraq.

19. (U) CODEL Smith did not have an opportunity to clear this message before departing Egypt.

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GRAY